Sunway REIT (SREIT MK)

1Q26: In Line; Solid Retail Segment

	BUY (Maintained)
Share Price	RM2.56
Target Price	RM2.80
Upside	9.4%

Highlights

- 1Q26 results were in line despite a decline in hotel segment as the weakness was offset by a lower cost of debt and utilities cost.
- Retail segment remained healthy, with revenue rising 10% yoy and retail sales psf growing 6% yoy. Rental reversion came in at mid-single-digit, in line with management's unchanged full year guidance.
- Maintain BUY with unchanged target price of RM2.80. SREIT's asset portfolio target of RM14b-15b by 2027, from RM10b as of end-25, should continue to underpin near-term earnings growth.

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1Q26 Results

Year to 31 Dec (RMm)	1Q26 (RMm)	4Q25 (RMm)	1Q25 (RMm)	qoq % chg	yoy % chg	qoq % chg
Gross revenue	**223.0**	**227.6**	**218.9**	**(2.0)**	**1.9**	**11.8**
Retail	185.0	173.1	168.4	6.9	9.9	4.5
Hotel	13.0	29.9	16.1	(56.6)	(19.4)	109.1
Office	20.3	19.9	20.4	1.6	(0.8)	(1.2)
Others	4.8	4.7	14.0	2.0	(65.8)	(1.5)
Operating expenses	(58.6)	(62.7)	(61.7)	(6.5)	(5.0)	(1.7)
Net Property Income	**164.4**	**165.0**	**157.2**	**(0.3)**	**4.6**	**16.8**
Retail	136.3	121.2	116.8	12.5	16.7	6.8
Hotel	11.8	28.7	15.0	(58.8)	(20.9)	117.5
Office	12.4	11.5	12.4	7.3	(0.1)	(3.2)
Others	3.9	3.5	13.0	10.7	(70.0)	2.2
Core Net Profit	**114.8**	**118.5**	**104.3**	**(3.1)**	**10.0**	**25.5**
EPU (sen)	3.4	3.5	3.0	(3.1)	10.0	25.5
DPU (sen)	0.0	8.8	0.0	n.m.	n.m.	n.m.

Source: Sunway REIT, UOB Kay Hian

Analysis

- **In line.** Sunway REIT (SREIT) reported 1Q26 revenue of RM223m (-2% qoq, +2% yoy) and core net profit of RM115m (-3% qoq, +10% yoy). The results accounted for 25% of our and consensus full year forecasts, in line with our expectations.
- **Gross gearing ratio increased to 40.2% as of end-1Q26** (vs 4Q25: 39.4%). With 61% of borrowings are on floating rate basis, average cost of debt further declined to 3.63% as of end-1Q26 (vs 4Q25: 3.79%).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	767.1	894.3	922.9	962.4	1011.6
Operating profit	569.7	658.0	676.5	709.3	745.5
Net profit (rep./act.)	524.8	539.4	468.8	486.1	506.6
Net profit (adj.)	364.5	453.6	468.8	486.1	506.6
EPU (sen)	10.6	13.2	13.7	14.2	14.8
DPU (sen)	10.0	14.5	13.4	13.9	14.5
PE (x)	24.1	19.3	18.7	18.0	17.3
P/B (x)	1.6	1.6	1.6	1.6	1.6
DPU Yld (%)	3.9	5.7	5.2	5.4	5.7
Net margin (%)	47.5	50.7	50.8	50.5	50.1
Net debt/(cash) to asset (%)	33.7	38.7	36.0	37.2	38.0
Interest cover (x)	3.4	4.0	4.4	4.3	4.1
Consensus DPU (sen)			12.8	12.8	14.3
UOBKH/Consensus (x)			1.0	1.1	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	SREIT MK
Shares issued (m):	3,424.8
Market cap (RMm):	8,767.5
Market cap (US$m):	2,230.6
3-mth avg daily t'over (US$m):	2.2

Price Performance (%)

52-week high/low				RM2.67/RM1.9
1mth	**3mth**	**6mth**	**1yr**	**YTD**
9.9	(0.8)	19.6	33.3	10.8

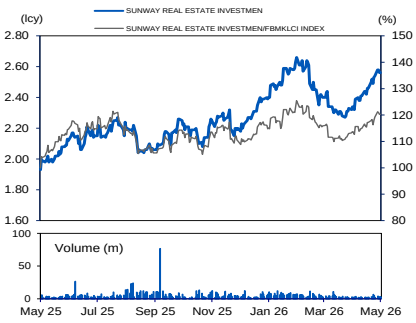
Major Shareholders

	%
Sunway Bhd	40.9
Employees Provident Fund	16.2
Kumpulan Wang Persaraan	5.6

Balance Sheet Metrics

FY25 NAV/Share (RM)	1.57
FY25 Net Debt/Share (RM)	1.38

Price Chart



Source: Bloomberg

Company Description

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

- **Retail growth remained healthy.** 1Q26 retail revenue grew 10% yoy, driven by the reopening of Sunway Carnival Mall's old wing in May 25 and the acquisition of AEON Seri Manjung in Jul 25. Stripping off these two assets, existing retail revenue still recorded a 4% yoy increase. Rental reversion came in at mid-single-digit, in line with management's full year guidance, which remains unchanged. Retail sales psf grew 6% yoy, partially supported by the strong performance of Sunway Carnival Mall (retail revenue +37% yoy). 2Q26-to-date, we expect tenant sales growth to moderate sequentially amid the absence of major festive spending and inflationary concerns. That said, the earnings impact should be manageable, as gross turnover rent contributes only about 10% of retail revenue.
- **Hotel performance softened as expected.** 1Q26 hotel revenue declined 19% yoy, reflecting softer travel demand following the year-end peak, the Ramadan period in 1Q26, and the ongoing Middle East conflicts. Excluding the high base in 1Q25 (from the catch-up rental recognition that was under-recognised in 1Q24), the actual revenue decline would have narrowed to 10% yoy. This is due to: a) a 5% yoy drop in banquet revenue, alongside b) lower occupancy at Sunway Resort Hotel (-6ppt yoy to 37%) and Sunway Lagoon Hotel (-5ppt yoy to 61%,) which collectively accounted for 44% of hotel segment revenue. Management attributed the softness largely to weaker domestic demand, while foreign guests mix increased 3ppt yoy to 57%. Looking ahead, 2Q26 hotel performance should substantially improve qoq while remain flattish yoy, based on the events held in convention centres and big group bookings.
- **Office stayed stable.** 1Q26 office revenue (-0.8% yoy) and NPI (flat yoy) were stable, supported by solid occupancy rate of above 80%. Wisma Sunway remains on track to achieve full occupancy by 4Q26 while Sunway Putra Tower's committed occupancy improved to 87% as of end 1Q26 (vs 82% end 4Q25).

Valuation/Recommendation

- **Maintain BUY with unchanged target price of RM2.80.** Our target price implies a dividend yield of 4.8%/5.0% for 2026/27 (vs 10-year mean 5.6%). SREIT remains committed to achieving its Transcend 2027 target of RM14b-15b AUM target (vs RM10b as of 2025). Key pipeline assets include Sunway Velocity (around RM2b) and Sunway Square Mall (up to RM1b), supplemented by potential third-party acquisitions.

Earnings Revision/Risk

- We tweaked our 2026-27 earnings forecasts by -1% respectively.

Environment, Social, Governance (ESG) Updates

Environmental

- SREIT aims to achieve Net Zero Carbon Emissions by 2050.
- Established internal carbon pricing framework at RM15 per tonne of CO2e emitted.

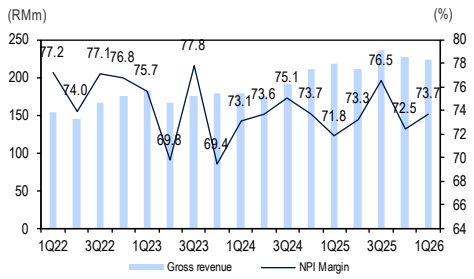
Social

- Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities.
- Formed an Occupational, Health, Safety and Environment Committee at the business segment level.

Governance

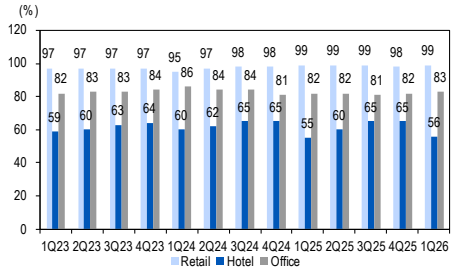
- About 43% of the Board of Directors are women.
- Adopted the Anti-Bribery and Corruption Policy and Procedure and is further supported by the existing Whistleblowing Policy and Procedures.

Revenue And NPI Margin



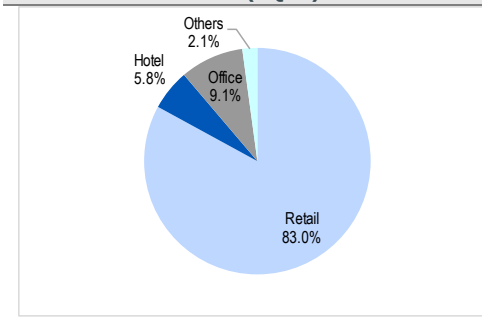
Source: SREIT, UOB Kay Hian

Portfolio Occupancy Rate



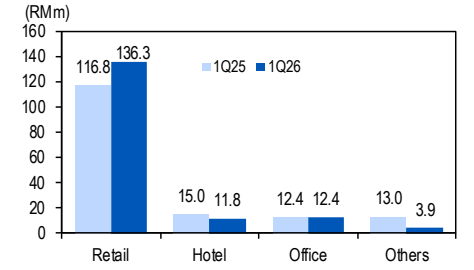
Source: SREIT, UOB Kay Hian

Revenue Breakdown (1Q26)



Source: SREIT, UOB Kay Hian

NPI Contribution By Segment



Source: SREIT, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**894.3**	**922.9**	**962.4**	**1,011.6**
EBITDA	658.0	676.5	709.3	745.5
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	658.0	676.5	709.3	745.5
Total other non-operating income	(39.5)	(55.3)	(57.0)	(58.8)
Net interest income/(expense)	(164.9)	(152.4)	(166.2)	(180.0)
Pre-tax profit	**547.7**	**468.8**	**486.1**	**506.6**
Tax	(8.4)	0.0	0.0	0.0
Net profit	**539.4**	**468.8**	**486.1**	**506.6**
Net profit (adj.)	453.6	468.8	486.1	506.6

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	10,202.9	10,454.1	10,705.3	10,956.5
Other LT assets	0.6	0.6	0.6	0.6
Cash/ST investment	360.9	491.9	637.4	786.7
Other current assets	98.6	40.9	42.7	44.9
Total assets	**10,663.0**	**10,987.5**	**11,386.0**	**11,788.6**
ST debt	2,597.6	2,978.8	3,360.0	3,741.2
Other current liabilities	439.4	403.1	420.3	441.8
LT debt	1,731.4	1,731.4	1,731.4	1,731.4
Other LT liabilities	20.4	0.0	0.0	0.0
Shareholders' equity	5,874.2	5,874.2	5,874.2	5,874.2
Total liabilities & equity	**10,663.0**	**10,987.5**	**11,386.0**	**11,788.6**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**721.1**	**676.5**	**709.3**	**745.5**
Pre-tax profit	1,041.4	922.9	962.4	1,011.6
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(349.0)	(246.4)	(253.1)	(266.0)
Other operating cashflows	28.7	0.0	0.0	0.0
Investing	**190.4**	**(251.2)**	**(251.2)**	**(251.2)**
Capex (maintenance)	(181.2)	(181.2)	(181.2)	(181.2)
Investments	472.2	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	(30.7)	0.0	0.0	0.0
Financing	**(940.3)**	**(194.3)**	**(312.6)**	**(345.0)**
Distribution to unitholders	(509.2)	(468.8)	(486.1)	(506.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	2,416.7	200.0	200.0	200.0
Loan repayment	(2,651.9)	0.0	0.0	0.0
Others/interest paid	(195.9)	74.5	(26.5)	(38.4)
Net cash inflow (outflow)	**(28.8)**	**230.9**	**145.5**	**149.3**
Beginning cash & cash equivalent	**289.8**	**260.9**	**491.9**	**637.4**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**260.9**	**491.9**	**637.4**	**786.7**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	73.6	73.3	73.7	73.7
Pre-tax margin	61.2	50.8	50.5	50.1
Net margin	60.3	50.8	50.5	50.1
ROA	5.4	4.7	4.7	4.8
ROE	9.5	8.3	8.6	8.9
Growth				
Turnover	16.6	3.2	4.3	5.1
EBITDA	15.5	2.8	4.9	5.1
Pre-tax profit	2.8	(13.1)	3.7	4.2
Net profit	24.4	3.4	3.7	4.2
Net profit (adj.)	24.4	3.4	3.7	4.2
EPU	44.8	(6.4)	3.7	4.2
Leverage				
Debt to total capital	73.7	80.2	86.7	93.2
Debt to total asset	73.7	80.2	86.7	93.2
Net debt/(cash) to asset	67.6	71.8	75.8	79.8
Interest cover (x)	4.0	4.4	4.3	4.1

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